

Testimony
of
Michael J. Copps
Assistant Secretary for Trade Development
International Trade Administration
U.S. Department of Commerce
before the
Special Committee on the Year 2000 Technology Problem
October 13, 1999

The Year 2000 Problem and the Department's International Outreach Activities

Mr. Chairman and members of the Special Committee, thank you for inviting me today to give an update on the Department of Commerce's international Y2K outreach activities. I had the privilege to testify before this committee in March to brief you on our activities at that time and to tell you what we had planned for the remainder of the year. Today, I want to talk to you about the activities we have undertaken since then. For, in fact, we have been very busy with our outreach and consciousness-raising internationally. We have conducted many Y2K information sharing conferences worldwide. We have participated in 41 events in 22 countries in every region of the world. We have talked directly to more than 6000 high level government officials, company executives and representatives of trade and industry associations at these conferences and we have reached many more indirectly as a result of these activities. At each event we have demonstrated and distributed our multimedia CD-ROM containing information on the Y2K problem and a self-help assessment tool for management to evaluate their organization's Y2K risk and develop plans to address it. We have worked closely with the Department of State, USIA and the Department of Transportation on these conferences. I have attached a listing of these conferences to this testimony.

Knowing of the lagging Y2K efforts of many small and medium-sized enterprises, we have aimed our efforts principally at that group. We have distributed 300,000 copies of the CD-ROMs in eleven languages worldwide. Our CD-ROM, containing the assessment tool, was introduced into the hearing record of this Committee when last I testified here. The CD-ROM, includes a ten-minute video, featuring Secretary Daley and Y2K experts from around the world who explain the Y2K problem and emphasize the need for remediation and contingency planning. We have also included the self-help assessment tool that was developed by the National Institute of Standards and Technology (NIST), as well as links to helpful Y2K information sites on the Internet.

In order to focus our international Y2K outreach efforts, we conducted a brief but focused study of the global trading system which highlighted our key trading partners, the composition of our trade with these countries, and the industry sectors particularly vulnerable to potential disruptions from the Y2K problem. We looked at the trading system infrastructure, including energy production and distribution, transportation,

communications and financial networks. When viewed in terms of these factors, we identified those countries with which the United States had the strongest trade links, such as Japan and Germany, but also those who are important suppliers of critical commodities to the United States, such as Saudi Arabia and Nigeria for petroleum. We have previously sent copies of this study to the Committee and other congressional offices. I would like to enter a copy of this study, *The Year 2000 Problem and the Global Trading System*, into the record of this hearing and I ask your permission for that now.

Based on this study, when we were planning our overseas conferences with the host governments, we reached mutual agreement on which sectors of the infrastructure would be most appropriate to highlight in these conferences. We then arranged for U.S. Y2K experts to join their host country counterparts on discussion panels to describe successful efforts to address the Y2K problem in these sectors. For example, in the Shanghai conference, we agreed with the Chinese hosts to focus on ports and shipping, municipal government and embedded systems in electric utilities.

Mr. Chairman, we share the Committee's concern about the Y2K preparedness of some countries and the readiness of key infrastructure sectors, such as energy and communications. I would like to note that we have been focusing our outreach efforts on many of these countries and sectors from the beginning of our conferences in March of this year.

With these efforts, we in the International Trade Administration have fulfilled our mandate as part of the Department's Y2K efforts to reach out to our trading partners, raise their awareness of the Y2K problem and its implications, and offer them an assessment and planning tool to address the issue. We have worked closely with the Department's Director of Y2K Outreach, Don Wynegar, and we feel we have accomplished this task in an effective and resource-efficient manner. Mr. Wynegar directly supports our Deputy Secretary, Robert Mallett, the Department's Y2K representative to the President's Council on the Year 2000 Conversion, chaired by John Koskinen. Other bureaus in the Department are also involved with the Y2K problem. For example, the Economic and Statistics Administration, headed by Under Secretary Robert Shapiro, is reviewing the potential effects of the Y2K problem on the U.S. economy. I am pleased that Lee Price, the Department's Chief Economist, is appearing here with me today. Since its inception, we have also been an active member of the interagency Y2K International Working Group (IWG), chaired by three Under Secretaries, Bonnie Cohen and Thomas Pickering of the State Department and Walter Slocombe of the Department of Defense.

I would like to share with you some of the conclusions and impressions we have gathered from these events. I hope to provide the committee a sense of the trends underway as we prepare for the rollover into the new millennium. Allow me to begin with some general remarks and then I will focus on several of our trading partners in a bit more detail.

When we were preparing for our first Y2K conferences in March 1999, we confronted a serious problem; lack of awareness in the private and public sectors of many countries

concerning the implications of the Y2K problem on their government and business operations. Many countries lag behind both our private and public sectors in understanding the serious nature of the problem and its many possible ramifications. Too often the problem was seen only as a technical issue, not as a major management challenge. Host government involvement varied widely, with some countries having only just appointed Y2K coordinators at the national level. The private sector's efforts also varied widely, with many large corporations well along in their remediation and planning, while most smaller companies remained unaware of their risks or denied the very need to address the problem.

Now, seven months later, we have seen important progress in many of these countries. Awareness of the problem and its implications are broadly based. Accompanying this increased understanding is an acceleration in efforts to fix critical systems and establish contingency plans to minimize possible disruptions. Small and medium-sized businesses remain, of course, a concern, although most governments are more focused on this sector now and large companies are often working with their smaller suppliers to reach Y2K compliance. Contingency planning has become a key focus.

In addition to our work with host governments and their Y2K coordinators, our outreach efforts have been boosted significantly by private sector companies and trade associations. For example, a major trade association in Malaysia requested several thousand copies to distribute to its small company membership. Several major oil companies operating in Africa have used our CD-ROMs with their suppliers and host governments. The American Chambers of Commerce in many of the countries were often our partners in distributing the CD-ROMs. The American Chamber of Commerce in Sao Paulo, Brazil, used the Portuguese version in a series of Y2K conferences they held. It also placed the contents of the CD-ROM on its Internet web site, for downloading by many more users. In Japan, an organization formed after the Kobe earthquake is distributing thousands of our Japanese language CDs to small and medium-sized businesses.

I would like to stress that we have viewed our outreach efforts as an opportunity to help host governments raise awareness of the Y2K problem, and thereby stimulate greater effort within their countries by government and businesses to address the problem. We knew we could not fix the problem, but we could provide some help to others in recognizing its implications, planning to deal with it, and guidance for how we might best proceed.

While we used our study of the global trading system to select countries for our conferences, we also responded to requests from a number of countries through their Y2K coordinators or private sector groups. I would like to highlight our efforts in several of the countries to give you a better impression of the activities underway to address the Y2K problem.

Russia

We have held two Y2K conferences in Moscow, in conjunction with the Y2K officials in the Russian Federal Government. We have also held conferences in the Russian Far EastBKhbarovsk, Yuzhno-Sakhalinsk, and Vladivostok. I well recall Senator Stevens= strong emphasis in that area when I was here in March. We will participate in an upcoming conference on contingency planning in Chelyabinsk on October 21, which is being organized by the Urals Branch of the Russian Academy of Science, the Chelyabinsk Countertrade Association and local and regional government officials. We have distributed over 5,000 copies of our Russian language CD-ROM throughout Russia.

The Y2K Subcommittee of the American Chamber of Commerce in Moscow has been aggressively involved in the Y2K issue since 1998 and provided support for both conferences. They are also serving as one of the main distribution agencies for our CD-ROM. Independently, they have established a variety of information-sharing channels to address the issue with both Russian and U.S. firms. The Chamber of Commerce and Industry of the Russian Federation has taken an active role in Y2K issues as well, and will also serve as a major distributor of the CD-ROM to Russian organizations.

The Russian government has developed a video for nationwide use that stresses the seriousness of the Y2K problem and the need for Russian public and private sector organizations to take steps to address it. They have moved past the awareness phase, at least in the major metropolitan areas, and are now taking steps towards remediation. Funding for Y2K remediation, however, continues to be a problem for both public and private entities. In the Russian Far East, concern centers on small businesses, the banking and transportation sectors, and the pension system.

China

We have worked closely with the Ministry of Information Industry (MII), and Director General Zhang Qi, China's Y2K Coordinator. We have held two very successful conferencesBone in Shanghai, which Secretary Daley opened, and one in Beijing. At each conference, U.S. and Chinese Y2K experts made presentations on their efforts to address the problem in such industry sectors as ports and shipping and embedded systems in electric utilities. Through the MII, we have been able to distribute nearly 12,000 Chinese language CD-ROMs to organizations throughout China.

China has held a number of national activities, including a National Y2K Awareness campaign and the second National Y2K Conference. The major theme of the conference was to emphasize to top leaders that Y2K was a management problem rather than a technical one. At the conference, speakers expressed the view that, while China faces Y2K difficulties in some sectors, major disruptions were not expected.

Let me now briefly highlight two other countries as illustrative of our outreach efforts.

Brazil

We have participated in three conferences of our own and five other events in Brazil. I have already mentioned the work of the American Chamber of Commerce in Sao Paulo. The U.S. and Foreign Commercial Service in Brazil has worked very closely with its local partners in distributing the CD-ROM. One of these partners is the Confederation of National Industries (CNI), a national trade association that has offices in all 27 Brazilian states. These offices are distributing our Portuguese version of the CD-ROM to all their members. The Committee of Science and Technology of the Brazilian Congress invited us to participate in several of their Y2K seminars to demonstrate our CD-ROM and distribute it to the attendees. Overall, we have distributed more than 6,000 copies of our CD-ROM in Brazil.

Southern Africa

The Southern African Development Community (SADC) has been very active in addressing the Y2K problem. We participated in the first meeting of their National Y2K Conference in March, demonstrating our CD-ROM to 70 delegates from 14 countries. We have distributed several thousand of our CD-ROMs through the SADC.

We held two Y2K workshops in Durban, South Africa in July, working with the Durban Chamber of Commerce. Attendees came from the legislature, city government and small and medium-sized businesses. We also conducted CD-ROM training sessions on the self-help assessment tool in Johannesburg with participants from the Chamber of Commerce, trade associations and business consultants. All attendees are assisting with the distribution of nearly 1000 of our CD-ROMs.

Mr. Chairman, our hopefully successful efforts in these countries to work with host governments and business organizations are illustrative of the interest and cooperation we have found in all of the countries where we have held events. We feel that we have made an important contribution to helping many organizations worldwide grapple with the Y2K problem and, by so doing, help to minimize potential disruptions on their operations. This particular effort is winding down and we are now engaged in several other activities which will take us to the end of the year.

We now have available via the Internet, in English and Spanish, a follow-on tool, called the Rapid Response Management Tool. Developed by the National Institute of Standards and Technology (NIST), this tool is designed to help management react in a planned and effective manner, to a Y2K-related failure. It also builds upon the self-help assessment tool we have been distributing on our CD-ROM. All our U.S. and Foreign Commercial Service posts will be asked to inform their Y2K contacts in their host countries of the availability of this tool. I would like to enter a summary statement about this tool into the record of this hearing.

We will continue to work with the interagency Y2K International Working Group (IWG) as we approach the rollover, monitoring any potential disruptions which may affect U.S. commercial interests overseas. Beyond that, I will defer to Under Secretary Cohen with regard to the IWG's future activities.

For our part, we have instructed our U.S. and Foreign Commercial Service posts to be alert to Y2K-related issues that may affect the U.S. business community operating overseas. The US&FCS officers will be reporting through State Department channels and we will of course receive the same information. We will be assessing with the State Department in the period leading up to January 1, 2000 whether overseas posts' reporting is adequately covering business-specific Y2K issues. Any commercial issues that may arise through other channels that are collected by General Kind's Information Coordination Center will also be sent to us. The Department of Commerce will have staff at the Center to evaluate incoming commercial reports and direct them to the appropriate offices for action. We would expect that we will be hearing reports of Y2K-related problems through a variety of channels, including calls and e-mails to our Trade Information Center. We have briefed the staff of the Center with regard to the Y2K problem and they also will be directing incoming calls to the appropriate offices in the Department and other parts of the U.S. Government.

The International Trade Administration's domestic and overseas field offices have also been extensively informed both on specific situations which U.S. business should be prepared to meet, and how to access federal and other information and assistance resources. In addition, overseas commercial staff will be available at all locations over the full New Year's weekend to assist in-country U.S. firms experiencing Y2K-related port, transit, customs or other difficulties.

Within the Department of Commerce, our Office of the Chief Information Officer is coordinating the establishment of a Y2K Emergency Operations Center. Each major office in the Department, such as the International Trade Administration, will be reporting into this Center any Y2K-related occurrences.

Mr. Chairman, we do not know exactly what effect the Y2K problem will have on world trade and U.S. commercial interests. We do know that the governments and businesses we have been in touch with are working diligently to remediate critical systems and establish contingency and operational continuity plans. The spotlight has been placed on small and medium-sized businesses that can be vital to an industry's supply chain. We have seen an acceleration in efforts directed at the Y2K problem in recent months. Although some of these efforts are late in coming, sufficient time remains for the heightened Y2K efforts by governments and businesses to put in place the necessary structure to avoid serious disruptions to the world's trading system. We have seen examples of this in the Awork-arounds® being planned and implemented, such as companies building extra inventories, ships' crews practicing emergency manual operations, and scheduling extra staff to be on duty to substitute for automated operations.

All critical date-sensitive systems supporting world trade may not be compliant by

January 1, 2000, but the work-arounds that are being planned can be effective deterrents to serious disruptions. The additional inventories, contingency preparations, and the time lags between foreign production and most domestic use mean that disruptions abroad would not immediately affect U.S. producers, and may never affect them very much. Given what we have seen in our international outreach activities and other reporting, we are hopeful that any Y2K disruptions affecting the world's trading system will be minor and short-lived.

We will continue our international outreach efforts and the distribution via the Internet of our self-help assessment and rapid response management tools. We would like to work with the Committee in any appropriate fashion to continue to address the Y2K problem. I would also like to commend the Committee on the work you have done to raise public awareness of the Y2K problem and its implications and to maintain governments' and industries' priority focus on addressing the problem. I look forward to working with you in the critical weeks and months ahead.

Mr. Chairman, that concludes my testimony. I would be pleased to hear your comments and to attempt to answer any questions that you might have.

| <i>City / Country</i> | <i>Date(s)</i> | <i>Attendees</i> | <i>Composition</i> | <i>Sectors</i> |
|---|----------------|------------------|--|---|
| Shanghai <i>China</i> | 3/31 | 250 | Government, MII, Municipal reps and private sector business | Electric utilities, embedded systems, ports and shipping, municipal govt |
| Mauritius <i>(SADC mtng)</i> | 3/31-4/02 | 70 | Nat'l Y2K coordinators from 14 countries, World Bank reps, and consultants from UK and Canada | Utilities, banking and finance, transportation, and health care |
| Riyadh <i>Saudi Arabia</i> | 4/18 | 120 | Private sector, Saudi Chambers of Commerce, various gov't ministries | Health care, telecom, petroleum |
| Jakarta Surabaya | 4/21 4/22 | 311 95 | SMEs SMEs | SMEs SMEs |
| Jakarta <i>Indonesia</i> | 5/19 | 80 | SMEs | SMEs |
| Singapore <i>(APEC Ministerial)</i> | 4/22-4/23 | 450 | APEC delegates | SMEs |
| Sao Paulo <i>Brazil (2)</i> | 4/27-28 | 240 | Business and government | SMEs, general case study and legal information |
| Belo Horizonte <i>Brazil</i> | 4/29 | 90 | Business | SMEs, general case study and legal information |
| Montevideo <i>Uruguay</i> | 5/04 | 130 | Business | SMEs and general case study |
| Buenos Aires <i>Argentina (2)</i> | 5/6-7 | 150 | Government and business | SMEs, general case study and legal information |
| Rome Milan <i>Italy</i> | 5/12 5/13 | 30+ | Government, business | SMEs, all industry sectors |
| Lagos <i>Nigeria</i> | 5/13 | 125 | Private sector, various gov't ministries, Nigeria Computer Vendors Association | Oil, ports and shipping, municipal gov't |
| Accra <i>Ghana</i> (World Bank All Africa Summit) | 5/13 | 200+ | National Y2K coordinators from all African countries | N/A |
| Moscow <i>Russia</i> | 5/13 | 150 | Russian SMEs, government, Russian reps of Western MNCs | Banking and finance, telecom, energy, customs and transport, oil, defense |
| Accra <i>Ghana</i> (Dep Sec press conference + booth at A/AA Summit) | 5/15-5/22 | 200+ | Private and public sector, high-level gov't officials and politicians | N/A |
| Kuala Lumpur <i>Malaysia</i> | 5/17* | 150 | SMEs* <i>The Federal of Malaysian Manufacturers (FMM) requested further training (July or</i> | SMEs |

| | | | | |
|--|---------------------------|------------------|---|---|
| | | | August) for the remaining 2000 members. | |
| Berlin <i>Germany</i> | 5/26/99 | 60 | Business, government, news media | all sectors, especially telecom, aviation, banks |
| Taipei <i>Taiwan</i> (Computex trade show) | 6/01-6/05 | 1000 | Business, international attendees at Computex trade show | all sectors, especially energy, banking, shipping |
| Khabarovsk Yuzno-Sakhalisk Vladivostok <i>Russia</i> | 6/07 6/10 6/14-6/18 | 100 50 180 | Government, business, news media Government Business, government, consultants | all sectors shipping, ports, telecom, banks |
| Tokyo <i>Japan</i> (Emprep trade show) | 6/16-6/18 | 350 | Government, business, news media | Emergency preparedness officials and companies |
| Manila Cebu <i>Philippines</i> | 6/16 6/18 | 150+ 150+ | SMEs, government SMEs, government | Food manufacturing, healthcare, automotive, telecom, power, aviation, construction, education, and local government |
| Osaka <i>Japan</i> | 6/21 | 75 | Business, government, SMEs | Government, all industry sectors |
| Seoul <i>Korea</i> | 6/28 | 230 | SMEs, embedded systems testing, IT systems testing | Government, industry associations, foreign and Korean companies |
| Abuja <i>Nigeria</i> | 7/02 | 250 | Contingency planning Tool training | Government, SMEs |
| Abidjan (2) <i>Cote d'Ivoire</i> | 7/06 | 60 | Contingency planning Tool training | Y2K Coordinators from MNCs |
| Brasilia <i>Brazil</i> | 7/09 | 90 | Tool training | representatives from 27 state trade associations |
| Asuncion <i>Paraguay</i> | 7/13 | 150 | Tool training | Businesses |
| Durban (2) Johannesburg <i>South Africa</i> | 7/23 7/26 | 160 20 | SMEs, ports/shipping Tool training sessions | Government officials SMEs |
| Beijing <i>China</i> | 8/11 | 250 | SMEs, embedded systems | Government officials private industry, media |
| Chelyabinsk <i>Russia</i> | 10/28 | 150+ (E) | Tool training sessions | TBD |